

Dominion Coal Company, Limited

REPORT FOR THE YEAR ENDED MARCH 31, 1969

DOMINION COAL COMPANY, LIMITED

Executive and General Offices:
7 King St. East, Toronto 1, Ont.

Directors

A. A. Bailie, Toronto, Ont.
F. C. Cope, Q.C., Montreal, P.Q.
R. S. Faulkner, Toronto, Ont.
R. A. Jodrey, Hantsport, N.S.
C. E. MacCulloch, Halifax, N.S.
A. S. Pattillo, Q.C., Toronto, Ont.
Hon. Jean Raymond, Montreal, P.Q.
J. H. Ready, Islington, Ont.
Colin W. Webster, Montreal, P.Q.

Officers

A. A. Bailie, Chairman and President
I. E. Bull, Vice President, Finance
J. H. Ready, Secretary
E. D. Botsford, Treasurer
C. A. Haines, Assistant Secretary

Auditors

Price Waterhouse & Co., Toronto, Ont.

Transfer Agent

The Royal Trust Company, Montreal, Toronto and Halifax, Canada

Registrar

Montreal Trust Company, Montreal, Toronto and Halifax, Canada

Notice of Annual and Special General Meeting

The Annual and Special General Meeting of Shareholders will be held in the Auditorium on Floor M2 of the Royal Bank of Canada Building, 1 Place Ville Marie, Montreal, P.Q., at 11:00 a.m., E.D.T. on Monday, September 15, 1969. A notice of the meeting, an information circular, and a proxy form for the convenience of Shareholders are enclosed with this report.

DOMINION COAL COMPANY, LIMITED
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED MARCH 31, 1969

To the Shareholders:

Your Directors submit herewith the consolidated balance sheet of Dominion Coal Company, Limited and its subsidiary companies as at March 31, 1969, and the related consolidated statement of deficit, together with the report of the Auditors.

As previously reported, the operating assets of the Company and of its subsidiaries were expropriated on March 30, 1968 by the Cape Breton Development Corporation (Devco), a company owned by the Government of Canada, and on that date your Company, together with its subsidiaries, ceased to be a going concern.

By vote of the Preferred Shareholders at a Special Meeting held on March 7, 1967, a Preferred Shareholders' Negotiating Committee was established to assume the responsibility for negotiating a fair and reasonable compensation in respect of the assets of the Company to be taken over by Devco. In spite of repeated attempts to negotiate both before and after the expropriation, the Chairman of that committee has had to report that the discussions have not led to any initial payment or offer from Devco nor has it been possible to receive any indication of the value placed by Devco upon the assets expropriated.

Your Directors and the members of the Preferred Shareholders' Negotiating Committee share the view that the delays in this matter have now exceeded reasonable bounds and have decided that the Companies should submit a claim for compensation to Devco in an effort to obtain a response, or, failing satisfactory response, to serve as a basis to petition the courts to settle the amount of compensation.

Notice of a Special Meeting of Shareholders to be held September 15, 1969, in conjunction with the Annual General Meeting of Shareholders, accompanies this Annual Report. The Special Meeting is called in order that the Shareholders may receive a report of the Chairman of the Preferred Shareholders' Negotiating Committee and to ask the Shareholders to ratify and confirm the decisions of that Committee and of the Board of Directors to present to Devco a claim in the amount of \$19,000,000. in respect of the assets of the Company and of its subsidiaries taken over by Devco.

As reported last year, the First Mortgage Equipment Bonds and Notes of The Dominion Rolling Stock Company Limited (a wholly owned subsidiary) fell into arrears May 1, 1968. This followed expropriation by Devco of the railway rolling stock securing these obliga-

tions, thus depriving the subsidiary company of railway car rental income. The considerable efforts of the Trustee for the bondholders to secure payment of these obligations by the Government of Canada or by Devco proved to be fruitless. In the circumstances, the Trustee indicated that it would exercise the recourses available to it under the Trust Deeds against Dominion Coal Company, Limited. Accordingly, your Directors authorized the purchase of the outstanding securities as of April 1, 1969. A discount of \$72,775. was obtained on the purchase of these securities, and the transaction is reflected in the accounts submitted herewith. The purchase of these bonds carried the approval of the Preferred Shareholders' Negotiating Committee.

Consolidated Financial Results - The Year Ended March 31, 1969

Revenue exceeded expenses during the year by \$39,336. and modified the consolidated deficit to that extent. This is reflected in the attached financial statements upon which the Auditors have reported.

Consolidated Financial Results - The Current First Quarter

Revenue of \$21,228. was earned during the three months ended June 30, 1969, and exceeded expenses by \$12,229. The revenues and expenses during this period have not been audited and may be subject to adjustment upon audit at the end of the fiscal year. The comparable three month period of the previous fiscal year provided revenue of \$18,575. which after expenses of \$61,175. resulted in a loss of \$42,600.

Submitted on behalf of the Board,

A. A. BAILIE,
Chairman and President.

Toronto, Canada, August 14, 1969.

DOMINION COAL COMPANY, LIMITED
(Incorporated under the laws of the Province of Nova Scotia)
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET - MARCH 31, 1969

Assets	1969	1968*	Liabilities	1969	1968*
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash	\$ 16,163	\$ 125,793	Bank advances, secured	\$ —	\$ 1,135,151
Short term investments, at cost			Payable for bonds of a subsidiary	981,614	—
(approximately market value)	1,850,000	—	Accounts payable and accrued liabilities	102,839	1,471,176
Accounts receivable	215,363	3,366,196	Accrued vacation pay	687,034	2,176,297
Subvention receivable	1,361,905	2,949,297	Provision for subvention claims (Note 4)	976,063	976,063
Prepaid expenses	—	25,517	Taxes payable and accrued	—	70,403
	<u>3,443,431</u>	<u>6,466,803</u>	Due to affiliated companies	10,000	531,538
				<u>2,757,550</u>	<u>6,360,628</u>
CAPE BRETON DEVELOPMENT CORPORATION (Notes 1 and 2):			LONG TERM DEBT (Note 3)	—	998,271
Assets expropriated—			PROVISION FOR CONTINGENCIES	4,816,953	4,816,953
To be settled on basis of cost thereof					
to the companies	8,510,275	8,506,066	SHAREHOLDERS' INVESTMENT:		
To be settled at fair market value			Capital stock (Note 5)—		
as modified	16,993,569	16,992,643	6% Cumulative sinking fund preferred		
Costs incurred relative to expropriation	83,297	—	shares, par value \$25 each—		
	<u>25,587,141</u>	<u>25,498,709</u>	Authorized—		
			400,000 shares \$10,000,000		
Less—			Outstanding— 208,759 shares ..	5,218,975	5,218,975
Vacation pay and miscellaneous items			(Dividends have been paid to		
paid by Cape Breton Development			June 30, 1952 and are in arrears		
Corporation	1,622,942	—	in the amount of \$5,245,070.)		
Balance of principal and interest			Common shares—		
due under Mortgage Loan under Coal			Authorized and issued—		
Production Assistance Act (Note 3)	5,246,469	5,246,469	480,000 shares,		
	<u>6,869,411</u>	<u>5,246,469</u>	par value \$25 each (owned by		
	<u>18,717,730</u>	<u>20,252,240</u>	Hawker Industries Limited)	12,000,000	12,000,000
FIXED ASSETS:			Deficit	(2,632,316)	(2,671,652)
Machinery and equipment, at cost	145,452	171,619		<u>14,586,659</u>	<u>14,547,323</u>
Less— Accumulated depreciation	145,451	167,487	Approved on behalf of the board:		
	<u>1</u>	<u>4,132</u>	A. A. Bailie, Director		
	<u>\$22,161,162</u>	<u>\$26,723,175</u>	J. H. Ready, Director		
				<u>\$22,161,162</u>	<u>\$26,723,175</u>

(see accompanying notes to consolidated financial statements)

*restated to conform with 1969 presentation

**DOMINION COAL COMPANY, LIMITED
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF DEFICIT FOR THE YEAR
ENDED MARCH 31, 1969**

Deficit, beginning of year	\$2,671,652
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Revenue:

Interest income	\$109,191	
Sale of miscellaneous assets	42,159	
Discount on purchase of bonds of subsidiary (Note 3)	72,775	
Income tax provisions no longer required	15,000	
Other	40,631	
	\$279,756	

Expense:

Interest on long term debt (Note 3)	56,118	
General and administrative expense	90,472	
Expenses relating to operations of the prior year	93,830	
	240,420	

Excess of revenue over expense for the year	39,336
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Deficit, end of year	<u>\$2,632,316</u>
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(see accompanying notes to consolidated financial statements)

DOMINION COAL COMPANY, LIMITED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 1969

1. Assets acquired by Cape Breton Development Corporation:

Cape Breton Development Corporation (Devco), the Crown corporation established by Act of Parliament in 1967 to acquire the Cape Breton coal industry, expropriated on March 30, 1968, with minor exceptions, all the companies' lands, mining leases, buildings, machinery, equipment and inventories. The consideration to be paid for coal inventories and for materials and supplies purchased by the companies after November 30, 1967 is the cost thereof to the companies, as summarized below:

	1969	1968
Inventories at cost:		
Coal at Quebec Agencies	\$ 345,840	\$ 345,840
Coal in Cape Breton, Nova Scotia	7,337,226	7,337,226
Materials and supplies purchased subsequent to November 30, 1967	827,209	823,000
	<u>\$8,510,275</u>	<u>\$8,506,066</u>

The consideration to be paid for all other assets expropriated is fair market value as modified by the Act establishing Devco. These other assets are summarized as follows:

	1969	1968
Materials and supplies purchased by the companies on or before November 30, 1967, at cost	\$ 2,063,371	\$ 2,069,810
Collieries, buildings, machinery and equipment, at cost, less accumulated depreciation	5,433,396	5,426,031
Land and mining leases, less amounts written off	9,496,802	9,496,802
	<u>\$16,993,569</u>	<u>\$16,992,643</u>

The companies have not received offers of compensation from Devco for these assets nor has any indication been given of the values placed by Devco on such assets.

The company has called a Special Meeting of Shareholders in conjunction with the Annual General Meeting to be held on September 15,

1969, to receive a report of the Preferred Shareholders' Negotiating Committee and to confirm a decision of the Directors to present a claim to Devco in the amount of \$19,000,000, plus accrued interest, in respect of the assets carried in the consolidated accounts of the company at the book value of \$25,587,141 as at March 31, 1969. If the compensation for the assets expropriated cannot be agreed, the Act provides for determination by the courts. In the circumstances, the amount to be received in connection with any such claim approved by the Shareholders is uncertain.

2. Pensions:

Pursuant to the Act establishing Devco, Devco was empowered to provide employee pension benefits and is paying pensions to persons who were in receipt of pensions from the companies as of March 30, 1968. It is possible that Devco will contend that its assumption of the payment of these pension benefits will entitle it to a credit against compensation payable as a result of the expropriation of the assets of the companies. If such a contention is made and upheld, it is estimated that such credit would be six to seven million dollars. There is no provision in the accounts for pensions since the payments for many years were eligible for government subvention purposes and were charged against income as paid.

3. Long term debt:

Pursuant to the Act establishing Devco, the 4% Mortgage Loan under the Coal Production Assistance Act will be deducted from the consideration payable to the companies for the assets expropriated. Accordingly, no interest expense has been recorded since March 30, 1968 and the balance of the Mortgage Loan has been deducted from the book value of the assets taken over by Devco.

The remaining long term debt at March 31, 1968 of \$998,271 represented principal and accrued interest on the first mortgage equipment bonds of The Dominion Rolling Stock Company Limited, a wholly owned subsidiary company. These bonds including accrued interest were purchased on April 1, 1969 by Dominion Coal Company, Limited for \$981,614. The discount of \$72,775 on the purchase of these bonds and interest of \$56,118 are reflected in the consolidated statement of deficit.

4. Provision for subvention claims:

Final acceptance of subvention claims is subject to audit by the Government of Canada. Audit of claims has been completed to March 31, 1964 and the amount of \$976,063 is provided for possible adjustments arising from audit of subvention claims filed since that date.

5. Capital stock:

The preferred and common shares carry the right to one vote per share. The by-laws of the company provide that the Board of Directors shall consist of not less than three nor more than fifteen directors and that three of the directors shall be holders of preferred stock of the company and shall be elected by holders of that stock.

6. Consolidated statement of deficit

Consolidated statement of source and application of working capital:

It would not be meaningful to compare the consolidated statement of deficit for the year ended March 31, 1969 with the statement for the previous year nor to provide a consolidated statement of source and application of working capital for the year ended March 31, 1969 and, accordingly, these statements have not been submitted.

Since the companies ceased operations on the expropriation of substantially all of their assets on March 30, 1968, the revenue and expense for the year ended March 31, 1969 have been incorporated in the consolidated statement of deficit.

7. Remuneration of directors and officers:

For the year ended March 31, 1969 directors' fees amounted to \$2,246. No remuneration was paid by the companies to their senior officers.

AUDITORS' REPORT

To the Shareholders of Dominion Coal Company, Limited:

We have examined the consolidated balance sheet of Dominion Coal Company, Limited and subsidiary companies as at March 31, 1969 and the related consolidated statement of deficit for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

On March 30, 1968 the companies' operating assets were expropriated by the Cape Breton Development Corporation and the companies ceased to be going concerns. The consideration to be received by the companies for the assets expropriated has yet to be determined (see Notes 1 and 2).

Since the amount to be realized by the companies for the assets expropriated is uncertain and could have a material effect on the financial statements, we do not express any opinion on the consolidated financial statements taken as a whole. However, in our opinion these consolidated financial statements present fairly in all other respects the balance sheet accounts as at March 31, 1969 and the revenue and expense incorporated in the statement of deficit for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants.

Toronto, Ontario, August 14, 1969

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DOMINION COAL COMPANY, LIMITED


PRESIDENT'S REMARKS TO SHAREHOLDERS

March 7, 1967

LADIES and GENTLEMEN:

YOU RECEIVED IN THE MAIL, ALONG WITH THE NOTICE OF THIS MEETING, A LETTER FROM THE CHAIRMAN OUTLINING THE PURPOSE FOR WHICH THE MEETING HAS BEEN CALLED. WHAT I WOULD LIKE TO DO AT THE OUTSET OF MY REMARKS IS DESCRIBE BRIEFLY THE HISTORY OF THIS COMPANY, WITH PARTICULAR REFERENCE TO THOSE DEVELOPMENTS WHICH LED IT TO ITS PRESENT SITUATION. I BELIEVE A BRIEF HISTORICAL REVIEW SHOULD BE PLACED ON THE RECORD AND WILL BE OF ASSISTANCE IN DEALING WITH THE PROBLEM BEFORE US TODAY.

DOMINION COAL COMPANY, LIMITED WAS INCORPORATED BY A SPECIAL ACT OF THE LEGISLATURE OF NOVA SCOTIA ON FEBRUARY 1, 1893, FOR THE PURPOSE OF ACQUIRING, AND CONSOLIDATING INTO ONE COMPANY, A NUMBER OF SMALL COAL MINING OPERATIONS IN THE



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DISTRICT SOUTH AND EAST OF SYDNEY HARBOUR IN CAPE BRETON HELD BY HENRY MIKE WHITNEY OF BOSTON AND HIS ASSOCIATES. IN THE PERIOD OF OVER SEVENTY YEARS SINCE THAT DATE, A GREAT MANY SIGNIFICANT EVENTS HAVE TAKEN PLACE; MANY MINES WERE OPENED, WORKED, AND EVENTUALLY CLOSED ON EXHAUSTION OF THEIR RESERVES, OR ON THEIR BECOMING UNECONOMIC TO OPERATE; COAL RECEIVING AND DISTRIBUTING AGENCIES WERE OPENED, OPERATED, AND CLOSED FOLLOWING THE DICTATES OF MARKETING REQUIREMENTS. ANNUAL PRODUCTION SINCE 1900 HAS VARIED CONSIDERABLY, ATTAINING A PEAK OF OVER 6, 300, 000 TONS IN 1913, AND FALLING TO A LOW POINT OF JUST OVER 2, 500, 000 TONS IN 1925, A YEAR OF SERIOUS LABOUR STRIKES. TODAY, DOMINION COAL OPERATES THREE MINES WITH AN ANNUAL PRODUCTION OF AROUND 2, 600, 000 TONS.

GOVERNMENT INVOLVEMENT IN THE COAL MINING OPERATIONS

FIRST BEGAN IN THE MID-1920's AS A RESULT OF MINING PROBLEMS LARGELY ATTRIBUTABLE TO THE SUBMARINE NATURE OF THE MINES, AND TO

LABOUR PROBLEMS CULMINATING IN A SERIOUS STRIKE IN 1925.

THE DUNCAN ROYAL COMMISSION, THE FIRST COMMISSION APPOINTED, STUDIED THE INDUSTRY AT THAT TIME AND IT RESULTED IN THE ESTABLISHMENT AROUND 1928 OF A SYSTEM OF GOVERNMENT SUBVENTIONS TO ASSIST THE MINES.

TWENTY YEARS LATER, FOLLOWING ANOTHER SERIOUS LABOUR STRIKE, ANOTHER ROYAL COMMISSION, UNDER THE CHAIRMANSHIP OF THE LATE JUDGE W. F. CARROLL, STUDIED THE INDUSTRY ANEW AND RECOMMENDED AN IMMEDIATE START ON A MECHANIZATION AND MODERNIZATION PROGRAM. THIS PROGRAM WAS EMBARKED UPON IN 1950 WITH THE HELP OF CANADIAN GOVERNMENT FINANCING. THE TOTAL SPENT ON THIS PROGRAM, OVER AND ABOVE THE COMPANY'S NORMAL CAPITAL EXPENDITURES, APPROACHED \$11,000,000 OF WHICH \$7,260,585 WAS LOANED TO DOMINION COAL COMPANY, LIMITED BY THE GOVERNMENT. THIS PROGRAM BROUGHT ABOUT AN IMPROVEMENT IN THE MINING OPERATIONS.

HOWEVER, AFTER IT WAS IMPLEMENTED, THE MARKETS FOR COAL BEGAN TO DETERIORATE IN THE FACE OF OIL COMPETITION, AND THE COMPANY AGAIN EXPERIENCED SEVERE FINANCIAL DIFFICULTIES.

ANOTHER ROYAL COMMISSION, THIS TIME UNDER THE CHAIRMANSHIP OF THE HONOURABLE JUSTICE IVAN C. RAND, WAS APPOINTED IN 1959 TO REVIEW AND REPORT ON THE CAPE BRETON COAL INDUSTRY BECAUSE OF THE DETERIORATING MARKET SITUATION. THE RAND REPORT, ISSUED IN 1960, RECOMMENDED THE CLOSING OF SEVERAL PITS, THE REHABILITATION OF FORTRESS LOUISBURG AS A MAKE-WORK PROJECT, AND A TRAINING PROGRAM TO ABSORB MEN DISPLACED BY MINE CLOSURES. A NUMBER OF MINES WERE IN FACT THEREAFTER CLOSED, INCLUDING DOMINION COAL'S No. 4 IN 1961, AND No. 16 IN 1962. IN THIS CONNECTION, THE GOVERNMENT OF NOVA SCOTIA ASSISTED IN RELIEVING THE RESULTANT UNEMPLOYMENT BY ASSUMING THE COST OF PENSIONS BETWEEN THE AGES OF 60 AND 65 FOR THOSE MINERS WHO HAD ATTAINED THEIR SIXTIETH BIRTHDAY, AND WHO WERE PREPARED TO ACCEPT EARLY RETIREMENT TO PRESERVE EMPLOYMENT FOR YOUNGER MEN.

THE UNDERLYING BASIC PROBLEMS REASSERTED THEMSELVES IN 1963 WHEN SERIOUS UNDERGROUND DIFFICULTIES BEGAN TO BE EXPERIENCED. PRODUCTION FELL OFF DRASTICALLY, AND COSTS CORRESPONDINGLY INCREASED. IN LARGE MEASURE, THESE DIFFICULTIES WERE ATTRIBUTABLE TO THE COMPANY'S INABILITY TO GENERATE FUNDS FOR NECESSARY CAPITAL IMPROVEMENTS DURING THE YEARS 1959 THROUGH 1962. DURING THIS PERIOD, THE AVAILABLE MARKET WAS CONSIDERABLY LESS THAN OUR TOTAL PRODUCTION FACILITIES, AND CONSEQUENTLY, CERTAIN MINES SHOULD HAVE BEEN CLOSED FORTHWITH. HOWEVER, BECAUSE OF THE SERIOUS SOCIAL PROBLEM INVOLVED IN LARGE SCALE LAYOFFS, THE COMPANY WAS PREVAILED UPON BY THE VARIOUS GOVERNMENTAL AUTHORITIES CONCERNED TO CONTINUE OPERATING ALL ITS MINES ON A PART-TIME BASIS, WHICH GREATLY INCREASED COSTS AND HAD A SERIOUS ADVERSE EFFECT ON THE FINANCIAL RESULTS OF THE COMPANY.

THE UNFORTUNATE COROLLARY TO THIS IS THAT, BECAUSE OF AN ALMOST TOTAL ABSENCE OF CAPITAL SPENDING DURING THIS PERIOD, THE EQUIPMENT PURCHASED IN THE EARLY 1950's WITH THE MONEY LOANED BY THE GOVERNMENT, WHILE IT HAS BEEN WELL MAINTAINED, BECAME OUT-DATED, AND FOR THE MOST PART HAS NEVER BEEN REPLACED ALTHOUGH THE MAJOR PART OF THE DEBT TO THE GOVERNMENT STILL REMAINS UNPAID. TO POINT UP THE DIFFICULTIES EXPERIENCED BY THE COMPANY, REPAYMENTS ON THE GOVERNMENT LOAN, WHICH ORIGINALLY STARTED IN 1955, HAD TO BE SUSPENDED IN THE YEARS 1958 THROUGH 1962. THEY WERE RESUMED IN 1963, BUT AGAIN HAD TO BE SUSPENDED IN DECEMBER 1964, AND NO PAYMENTS HAVE BEEN MADE SINCE. AS YOU WILL SEE FROM THE LAST ANNUAL REPORT, THE UNPAID BALANCE OWING TO THE GOVERNMENT AMOUNTS TO \$4, 521, 906, PLUS INTEREST ACCRUED SINCE JUNE 30, 1964.

IT BECAME CLEAR IN LATE 1963 THAT FURTHER CAPITAL FUNDS WOULD BE NECESSARY. IT WAS ALSO CLEAR THAT THE COST INVOLVED

WOULD RUN INTO MANY MILLIONS OF DOLLARS IF EMPLOYMENT LEVELS WERE TO BE MAINTAINED, THAT THE COMPANY WAS INCAPABLE OF PROVIDING FINANCING OF SUCH MAGNITUDE, AND THAT THE NECESSARY ASSISTANCE WOULD AGAIN HAVE TO BE FORTHCOMING FROM GOVERNMENT. THIS MAJOR PROBLEM WAS DISCUSSED WITH OFFICIALS OF THE ATLANTIC DEVELOPMENT BOARD THROUGHOUT MOST OF 1964.

DURING 1964, MANAGEMENT DECIDED TO SEEK OUTSIDE ADVICE, NOT ONLY ON THE PRESENT OPERATION OF THE MINES, BUT ON THEIR LONG-TERM FUTURE AS WELL. MR. W. V. SHEPPARD, DIRECTOR-GENERAL OF PRODUCTION FOR THE NATIONAL COAL BOARD OF GREAT BRITAIN, HAD SPENT CONSIDERABLE TIME IN CANADA ACTING AS A SPECIAL ADVISOR TO THE RAND COMMISSION. BECAUSE OF HIS INTIMATE KNOWLEDGE OF THE MINES, WE APPROACHED THE NATIONAL COAL BOARD SEEKING ASSISTANCE, AND THE RIGHT HONOURABLE LORD ROBENS, CHAIRMAN OF THE BOARD, AND MR. SHEPPARD VERY KINDLY VISITED CAPE BRETON IN

NOVEMBER 1964. ON THEIR RETURN, LORD ROBENS WROTE TO US ON NOVEMBER 20, 1964, CONFIRMING THE NEED FOR AN IMMEDIATE MASSIVE INFUSION OF CAPITAL IF COAL MINING OPERATIONS AT CURRENT LEVELS WERE TO BE CONTINUED. HE ALSO POINTED OUT THAT THE MINES WOULD ALWAYS BE DEPENDENT UPON GOVERNMENT SUBVENTIONS. COPIES OF THE ROBENS REPORT WERE MADE AVAILABLE TO THE ATLANTIC DEVELOPMENT BOARD AND TO THE GOVERNMENTS OF CANADA AND NOVA SCOTIA.

BY THE END OF 1964, IT HAD ALSO BECOME CLEAR THAT IN VIEW OF CONSTANTLY INCREASING COSTS THE RATE AND AMOUNT OF SUBVENTIONS MADE AVAILABLE BY THE CANADIAN GOVERNMENT WOULD HAVE TO BE SUBSTANTIALLY INCREASED IF THE COMPANY WERE TO BE KEPT FINANCIALLY SOLVENT AND CONTINUE TO PROVIDE EMPLOYMENT FOR ITS EMPLOYEES, PENDING A FINAL DECISION ON ITS FUTURE COURSE. A MEETING WAS THEREFORE HELD IN EARLY JANUARY 1965 WITH THE HONOURABLE J. W. PICKERSGILL, THE MINISTER RESPONSIBLE FOR THE ATLANTIC

DEVELOPMENT BOARD, TO ACQUAINT HIM WITH THE URGENCY OF THE SITUATION. A FEW DAYS LATER, THE SAME MESSAGE WAS CONVEYED TO A GROUP OF SENIOR CIVIL SERVANTS CHARGED BY THE GOVERNMENT TO STUDY THE PROBLEM.

ALTHOUGH THESE ACTIONS DID PRODUCE REVISED SUBVENTION ARRANGEMENTS, THEY DID NOT RESULT IN ANY PROGRESS IN DEALING WITH THE INDUSTRY'S CAPITAL REQUIREMENTS. WE WERE THEN ADVISED THAT THE COAL PROBLEM HAD BEEN ASSIGNED TO THE HONOURABLE MITCHELL SHARP, THEN MINISTER OF TRADE AND COMMERCE.

FOLLOWING A MEETING WITH MR SHARP ON MARCH 3, 1965, DOSCO SUBMITTED TO THE CANADIAN GOVERNMENT ON MARCH 11, 1965, A PROPOSAL COVERING THE TRANSFER OF DOSCO'S INTEREST IN NOVA SCOTIA COAL MINES TO THE CANADIAN GOVERNMENT. IN THIS PROPOSAL, DOSCO OFFERED TO SELL ITS HOLDINGS OF DOMINION COAL COMPANY COMMON SHARES TO THE GOVERNMENT FOR THE NOMINAL

SUM OF ONE DOLLAR, AND ITS HOLDINGS OF DOMINION COAL PREFERRED SHARES AT WHATEVER PRICE WAS AGREED BETWEEN THE GOVERNMENT AND OTHER PREFERRED SHAREHOLDERS FOR SUCH SHARES. THE PROPOSAL ALSO INCLUDED, ON A SEPARATE BASIS, THE TWO MINES OWNED WHOLLY BY DOSCO.

SHORTLY THEREAFTER, DR. J. R. DONALD OF MONTREAL WAS APPOINTED BY THE CANADIAN GOVERNMENT TO REPORT ON THE CAPE BRETON COAL PROBLEM. DURING THE ENSUING YEAR, DR. DONALD PAID A NUMBER OF VISITS TO THE MINING OPERATIONS, AND WAS GIVEN ALL INFORMATION THAT HE REQUESTED FROM THE COMPANY.

ON OCTOBER 5, 1965, THE HONOURABLE ALLAN MacEACHEN ANNOUNCED IN HALIFAX THAT THE CANADIAN GOVERNMENT WOULD MAKE LARGE-SCALE INVESTMENTS IN THE CAPE BRETON COAL MINING INDUSTRY, AND WOULD INTRODUCE A COMPREHENSIVE LONG-TERM PROGRAM.

ON SEVERAL OCCASIONS THROUGHOUT 1965 AND 1966, MANAGEMENT REITERATED TO THE CANADIAN GOVERNMENT THE URGENCY OF

GETTING ON WITH THE INTENDED REHABILITATION IF THE OPERATIONS WERE TO BE PRESERVED, BUT THE GOVERNMENT TOOK THE POSITION THAT NOTHING COULD BE DONE UNTIL DR. DONALD'S REPORT HAD BEEN SUBMITTED AND CONSIDERED. MEANWHILE, No. 18 COLLIERY WAS CLOSED IN JANUARY 1966 ON EXHAUSTION OF ITS RESERVES.

ON OCTOBER 11, 1966, DR. DONALD'S REPORT WAS TABLED IN PARLIAMENT. IN ESSENCE, IT RECOMMENDED THAT INVESTMENT IN UNECONOMIC COAL PRODUCTION BE SHIFTED DURING THE NEXT FIFTEEN YEARS TO OTHER FORMS OF INDUSTRIAL DEVELOPMENT AND ECONOMIC ACTIVITY IN THE REGION, AND THAT THIS TRANSFER BE SUPPORTED OUT OF THE FEDERAL SUBVENTIONS WHICH THE COAL MINING INDUSTRY WOULD OTHERWISE REQUIRE. TO REACH THIS OBJECTIVE, DR. DONALD RECOMMENDED THE FORMATION OF TWO CROWN CORPORATIONS, ONE BEING RESPONSIBLE FOR THE ACQUISITION, REHABILITATION, AND OPERATION OF THE DOSCO AND DOMINION COAL MINES AT REDUCED LEVELS OF PRODUCTION, AND THE OTHER CORPORATION CHARGED SIMULTANEOUSLY WITH THE STIMULATION AND DEVELOPMENT OF THE REGIONAL ECONOMY.

FOLLOWING THE TABLING OF THE DONALD REPORT, MANAGEMENT MADE FURTHER REPRESENTATIONS TO THE CANADIAN GOVERNMENT FOR EARLY ACTION ON THE COAL PROBLEM BECAUSE OF GROWING UNCERTAINTY ON THE PART OF CUSTOMERS, AND UNREST ON THE PART OF EMPLOYEES. THE GOVERNMENT CREATED A SPECIAL COMMITTEE TO OPEN DISCUSSIONS WITH MANAGEMENT. THE COMMITTEE IS HEADED BY DR. C.M. ISBISTER, DEPUTY MINISTER OF THE DEPARTMENT OF ENERGY, MINES AND RESOURCES, AND INCLUDES DR. J.R. DONALD, AUTHOR OF THE DONALD REPORT.

THE FIRST MEETING HELD BETWEEN THIS COMMITTEE AND MANAGEMENT TOOK PLACE IN OTTAWA ON DECEMBER 15, 1966. THE MEETING WAS RESTRICTED TO AN EXCHANGE OF VIEWS ON THE BASIC POSITION ADOPTED BY EACH SIDE WITH RESPECT TO THE TAKE-OVER OF THE COAL OPERATIONS, AND TO A REQUEST BY THE GOVERNMENT COMMITTEE FOR ADDITIONAL FINANCIAL AND OTHER DATA.

MEANWHILE, PRIME MINISTER PEARSON ISSUED ON DECEMBER 29, 1966, A STATEMENT OF THE FEDERAL GOVERNMENT'S POLICY WITH

RESPECT TO THE CAPE BRETON COAL PROBLEM, AND A COPY OF THAT STATEMENT WAS SENT TO YOU ALONG WITH THE NOTICE OF THIS MEETING.

A SECOND MEETING WAS HELD BETWEEN MANAGEMENT AND THE GOVERNMENT COMMITTEE ON JANUARY 3, 1967. DISCUSSIONS AT THIS MEETING CENTERED MAINLY AROUND A PRO-FORMA BALANCE SHEET OF DOMINION COAL COMPANY WHICH HAD BEEN ONE OF THE ITEMS OF INFORMATION REQUESTED BY THE GOVERNMENT COMMITTEE AT THE PREVIOUS MEETING.

THE PRO-FORMA BALANCE SHEET CONFIRMS THE POSITION ADOPTED BY DOSCO IN ITS MARCH 11, 1965, PROPOSAL TO THE HONOURABLE MITCHELL SHARP TO THE EFFECT THAT THE COMMON SHARES OF DOMINION COAL COMPANY NO LONGER HAVE ANY VALUE. THAT IS TO SAY, THE ENTIRE INTERESTS IN DOMINION COAL COMPANY NOW BELONGS TO THE PREFERRED SHAREHOLDERS.

INSOFAR AS THE VALUATION OF THE VARIOUS ASSETS IS CONCERNED, THE GOVERNMENT COMMITTEE READILY AGREED THAT THE PRO-FORMA

BOOK VALUE OF THE CURRENT ASSETS WOULD BE A REASONABLE PRICE FOR THEIR ACQUISITION. HOWEVER, THE GOVERNMENT COMMITTEE FOUND IT DIFFICULT TO ATTACH ANY VALUE TO THE PROPERTIES AND EQUIPMENT USED IN THE COAL MINING OPERATIONS AS THE OPERATION OF THE MINES IS UNECONOMIC. MANAGEMENT EXPRESSED THE VIEW THAT THE FIXED ASSETS DO HAVE A REAL VALUE AND THAT, QUITE APART FROM THE SUBSTANTIAL INVESTMENT IN MINING MACHINERY, EQUIPMENT, BUILDINGS, AND 175,000 ACRES OF VACANT LAND, THE RAILWAY ALONE IS WORTH A CONSIDERABLE AMOUNT. FURTHER, IT MUST BE KEPT IN MIND THAT THE VERY EXISTENCE OF THE MINES, AND THE NECESSARY ORGANIZATION OF PEOPLE, ON A GOING CONCERN BASIS REPRESENTS THE ONLY INSTRUMENT BY WHICH THE GOVERNMENT'S ANNOUNCED POLICY CAN BE IMPLEMENTED.

A THIRD MEETING WAS HELD WITH THE GOVERNMENT COMMITTEE ON JANUARY 13, 1967, WHICH FOR THE MOST PART WAS DEVOTED TO GOING OVER THE SAME GROUND THAT WAS COVERED AT THE TWO EARLIER

MEETINGS, WITH ONE IMPORTANT EXCEPTION. IT WAS EXPLAINED TO THE GOVERNMENT COMMITTEE THAT MANAGEMENT HAD BEEN ADVISED AND HAD COME TO THE CONCLUSION THAT IT COULD NOT NEGOTIATE ON BEHALF OF DOMINION COAL COMPANY BECAUSE IT WAS FACED WITH A POSSIBLE CONFLICT OF INTEREST ARISING FROM THE FACT THAT: (a) IT HAD A MANAGEMENT RESPONSIBILITY IN BOTH DOSCO AND DOMINION COAL COMPANY, (b) DOSCO HAD NO REMAINING EQUITY INTEREST IN DOMINION COAL COMPANY COMMON SHARES, THE ENTIRE INTEREST NOW BEING ATTRIBUTABLE TO THE PREFERRED SHAREHOLDERS, AND (c) DOSCO HAD A VITAL INTEREST IN THE TAKE-OVER AS IT AFFECTED THE TWO DOSCO MINES. IN THE CIRCUMSTANCES, MANAGEMENT WAS OF THE OPINION THAT THE PREFERRED SHAREHOLDERS' INTERESTS SHOULD BE REPRESENTED BY PERSONS APPOINTED FOR THAT PURPOSE BY THE OUTSIDE PREFERRED SHAREHOLDERS.

THERE HAVE BEEN NO FURTHER MEETINGS WITH THE GOVERNMENT COMMITTEE. ON FEBRUARY 2nd, DR. ISBISTER WROTE TO MANAGEMENT

CONFIRMING HIS COMMITTEE'S VIEWS WITH RESPECT TO VALUATION OF THE ASSETS, AND INVITING MANAGEMENT TO RESUME DISCUSSIONS.

MANAGEMENT REPLIED ON FEBRUARY 13th REITERATING ITS VIEWS, AND DECLINING TO RESUME DISCUSSIONS UNTIL AFTER THIS IMPORTANT MEETING BEING HELD TODAY BECAUSE OF THE CONFLICT OF INTEREST PREVIOUSLY MENTIONED.

SINCE THE LAST MEETING WITH THE GOVERNMENT COMMITTEE, MANAGEMENT HAS MET WITH A NUMBER OF FEDERAL CABINET MINISTERS AND WITH THE PREMIER OF NOVA SCOTIA TO BRING THESE GENTLEMEN UP-TO-DATE ON THE COURSE WHICH DISCUSSIONS HAVE TAKEN, MANAGEMENT'S VIEWS WITH RESPECT TO ASSET VALUATIONS, AND THE INTENTION TO CALL A SPECIAL SHAREHOLDERS' MEETING. AS MENTIONED IN THE LETTER ADDRESSED TO YOU BY THE CHAIRMAN, DISCUSSIONS WERE ALSO HELD WITH THE THREE DIRECTORS ELECTED BY THE PREFERRED SHAREHOLDERS ON THE QUESTION OF FORMING A SHAREHOLDERS' COMMITTEE.

LADIES AND GENTLEMEN, THIS CONCLUDES THE SUMMARY OF THE MORE SIGNIFICANT EVENTS CONCERNING YOUR COMPANY UP TO THE PRESENT. IN CONCLUSION, I WOULD LIKE TO SAY A FEW WORDS WHICH BEAR DIRECTLY ON THE SITUATION YOU ARE FACED WITH TODAY.

STUDIES MADE BY YOUR MANAGEMENT AND THE REPORTS OF THE VARIOUS GOVERNMENT COMMISSIONS WHICH HAVE DEALT WITH THIS SITUATION MAKE IT CLEAR THAT THE MINES OF DOMINION COAL COMPANY, LIMITED CANNOT OPERATE WITHOUT GOVERNMENT ASSISTANCE. THIS VIEW HAS BEEN UPHELD BY THE RIGHT HONOURABLE LORD ROBENS, CHAIRMAN OF THE NATIONAL COAL BOARD OF GREAT BRITAIN. THE AMOUNT OF GOVERNMENT ASSISTANCE REQUIRED BOTH IN THE FORM OF CAPITAL AND OPERATING SUBSIDIES TO ENABLE COAL TO BE MINED AND MARKETED IN COMPETITION WITH OTHER FUELS IS VERY SUBSTANTIAL.

CONSEQUENTLY FROM A PROFIT MAKING POINT OF VIEW UNDER

NORMAL ECONOMIC CIRCUMSTANCES THE MINES ARE NOT SALABLE. HOWEVER, BECAUSE OF THE SOCIAL PROBLEM INVOLVED AS REFERRED TO IN THE PRIME MINISTER'S STATEMENT OF DECEMBER 29th, 1966, THE GOVERNMENT HAS DECIDED TO MAINTAIN A LONG STANDING POLICY AND TO CONTINUE MINING COAL FOR AN INDEFINITE PERIOD IN ORDER TO PROVIDE EMPLOYMENT WHILST ALTERNATE MEANS OF EMPLOYING THE INDIVIDUALS INVOLVED ARE DEVELOPED. WE FULLY UNDERSTAND THE GOVERNMENT'S ANNOUNCED INTENTIONS BECAUSE OF THE EXTREME HARDSHIP THAT WOULD RESULT TO THE INDIVIDUALS AND COMMUNITIES CONCERNED IF ALL OF THE MINES WERE TO BE SUDDENLY CLOSED.

IN VIEW OF THE FACT THAT THE PHYSICAL ASSETS OF THE COMPANY DO HAVE REAL VALUE AND SINCE THE SHAREHOLDERS HAVE HAD NO RETURN ON THEIR INVESTMENT SINCE 1952 AND THE UNPAID CUMULATIVE PREFERRED DIVIDENDS AMOUNTED TO \$4, 305, 654.00 AT THE END OF THE LAST FISCAL YEAR, WE FEEL STRONGLY THAT IT IS ONLY JUST AND PROPER THAT THE SHAREHOLDERS SHOULD BE APPROPRIATELY REIMBURSED BY THE GOVERNMENT ON THE TRANSFER OF THEIR

PHYSICAL PROPERTIES AND THE ORGANIZATION TO THE GOVERNMENT
SO THAT THE GOVERNMENT CAN CARRY OUT ITS ANNOUNCED POLICY
OF CONTINUING TO MINE COAL AND THEREBY PROVIDE EMPLOYMENT
IN RECOGNITION OF THE FACT THAT IT IS DEALING WITH A SOCIAL
PROBLEM RATHER THAN ONE OF STRAIGHT ECONOMICS.

Dominion Coal Company, Limited

NOTICE OF SPECIAL MEETING OF THE SHAREHOLDERS

NOTICE is hereby given that a Special Meeting of the Shareholders of DOMINION COAL COMPANY, LIMITED will be held in the Auditorium on Floor M2 in The Royal Bank of Canada Building, 1 Place Ville Marie, in the City of Montreal, P.Q., Canada, at 10:00 o'clock A.M., E.S.T., on Tuesday, the 7th day of March, 1967, for the purpose of;

- a) receiving a report on the status of negotiations which have taken place between Management and the Government of Canada relating to the acquisition by the Government of the coal operations of the Company;
- b) considering and, if deemed advisable, adopting a resolution or resolutions, —
 - i) authorizing and approving the establishment of a Negotiating Committee from among the Preferred Shareholders of the Dominion Coal Company, Limited;
 - ii) authorizing and directing the said committee to negotiate for a fair and reasonable basis of acquisition of the coal operations of the Company by the Government of Canada;
 - iii) authorizing the said Negotiating Committee, if it deems necessary, to retain counsel or such other consulting services; and
- c) considering and approving a resolution authorizing Dominion Coal Company, Limited to pay reasonable expenses of the members of such committee incurred in the execution of their assignment, including fees of counsel and other consultants.

DATED at Ville St. Pierre, P.Q., this 20th day of February, 1967.

By order of the Board,

BRUCE R. McDADE,

Vice-President and Secretary.

NOTE — Shareholders who may not find it convenient to attend are requested to complete the form of proxy enclosed herewith and return it in the enclosed addressed envelope.

(Français au verso)

Dominion Coal Company, Limited

CONVOCATION DES ACTIONNAIRES À UNE ASSEMBLÉE SPÉCIALE DE LA SOCIÉTÉ

Avis est donné par les présentes qu'une Assemblée spéciale des Actionnaires de la DOMINION COAL COMPANY, LIMITED aura lieu dans l'auditorium de l'immeuble de la Banque Royale du Canada (étage M2), place Ville Marie, dans la cité de Montréal, province de Québec, Canada, à 10 h du matin, heure normale de l'est, le jeudi 7^e jour du mois de mars 1967.

Ordre du jour :

- (a) Prendre connaissance d'un rapport sur l'état des négociations entre la Direction et le Gouvernement du Canada, concernant l'acquisition par le Gouvernement fédéral des entreprises houillères de la Société.
- (b) Prendre en considération et, au besoin, adopter une résolution ou des résolutions aux fins :
 - (i) d'autoriser et d'approuver la mise sur pied d'un Comité de négociation parmi les détenteurs d'actions privilégiées de la Société Dominion Coal;
 - (ii) d'autoriser et de mener ledit Comité à négocier des conditions raisonnables pour l'acquisition des entreprises houillères de la Société par le Gouvernement du Canada;
 - (iii) d'autoriser ledit Comité de négociation, s'il l'estime utile, à retenir les services d'un conseiller juridique ou de quelque autre organisme consultatif; et
- (c) Prendre en considération et approuver une résolution autorisant la Société Dominion Coal à payer aux membres dudit Comité les dépenses normales résultant de leur affectation, y compris les honoraires du conseiller juridique et d'autres consultants.

À Ville St-Pierre, Qué., ce 20^e jour du mois de février 1967.

Pour le Conseil d'Administration

BRUCE R. McDADE

Vice-président et Secrétaire.

NOTA — Les actionnaires qui se trouveraient dans l'impossibilité d'assister à l'assemblée, sont priés de bien vouloir remplir la procuration ci-jointe et de la retourner aussitôt que possible à notre bureau dans l'enveloppe-réponse jointe à cet effet.

(English overleaf)

POLICY STATEMENT BY THE PRIME MINISTER

CAPE BRETON COAL

Press Release — December 29, 1966

In the Spring of 1965, the Government of Canada asked Dr. J. R. Donald, an industrial consultant, to review the Cape Breton Coal problem and to make recommendations. His report was tabled in the House of Commons in October, 1966.

In the meantime, the Government of Canada has given careful consideration to the report and its recommendations and has heard the views of interested persons and has held discussions with the Government of Nova Scotia.

The Report, for which the Government is indebted to Dr. Donald, and the important and comprehensive discussions which were held with provincial, union, company and community officials, have led to a new approach by the Government of Canada and have formed the basis for an agreement with the Province of Nova Scotia.

The federal government realizes that the Cape Breton coal problem is essentially a social one. It is because of its awareness of, and concern for, the well-being of individuals and their communities that the federal government is prepared to assist, on a massive scale, the transition of the area from dependence on a declining natural resource to a sound economic base.

The two governments concerned have, therefore, agreed on the following basic points of policy :

CROWN CORPORATION

Assured of the participation of the Government of Nova Scotia, the Government of Canada is prepared to ask Parliament to establish a suitable Crown Corporation—the composition and powers of which will be defined by the two governments at an early date—to acquire, reorganize and manage the coal mining interests of the Dominion Steel and Coal Corporation and simultaneously to help promote and finance the development of modern industry on the Island of Cape Breton, within the context of a comprehensive economic plan for the redevelopment of the Cape Breton economy.

For those purposes the Government of Canada will make a capital contribution of \$45 million to the Crown Corporation for the rehabilitation and operation of the mines (about \$25 million) and for the development of new industry (about \$20 million).

In place of the present system of providing subsidies to a private corporation on its individual coal sales, the Government will request Parliament to provide funds to the Crown Corporation to enable it to mine and market its coal to the best advantage. Although it is anticipated that the operating losses in the first year alone will be in the order of \$25 million, the mining program will progressively reduce these annual losses, and, hence, the federal funds required. From these annual savings in subsidies, money will become available to augment the economic development fund.

ECONOMIC DEVELOPMENT

The new Crown Corporation will have, as one of its two objectives, the broadening of the industrial base of Cape Breton. To further this objective, the Government of Canada will augment its initial \$20 million economic development contribution to the Crown Corporation from expected savings in federal subsidies.

The Government of Nova Scotia will contribute \$10 million to the initial economic development fund of the Corporation.

In addition, it is the intention of the federal government to establish with the province a joint framework which will permit the concentration of all federal and provincial efforts to promote the economic development of Eastern Nova Scotia and Cape Breton Island in accordance with a comprehensive plan.

PHASING-OUT TIME

The Government of Canada and the Government of Nova Scotia believe that a rigid adherence to a fixed timetable to reduce the level of coal production might involve unnecessary hardship on the dependent communities. Consequently, the rationalization of the mines will be related to the success in the introduction of new industries. The Crown Corporation will be instructed to give full consideration to the need for orderly adjustment, including the implementation of a generous early retirement plan for the miners as recommended by Dr. Donald.

Subject to these conditions, the Government of Canada believes that an orderly reduction in the output of these mines to an annual rate of about 2 million tons as recommended by Dr. Donald will be necessary because of rising costs and the limited life expectancy of the mines; and the Government of Nova Scotia accepts this view.

THE INDEPENDENT COAL OPERATORS

In view of the federal government's acceptance of major financial responsibility for a long term solution to the coal problem of the DOSCO mines in the Sydney area, the Government of Nova Scotia has agreed to accept complete financial responsibility for such support of the independent coal mines in Nova Scotia as it considers appropriate and necessary. It will consult with the Crown Corporation on coal markets, in order to maintain an orderly market for Nova Scotia coal. Moreover, the Government of Nova Scotia has agreed to issue no further coal mining permits or leases during the next 15 years unless the application for the coal permit or lease carries the approval and support of the Crown Corporation.

LINGAN

The federal government gave in October 1965 an undertaking to provide financial assistance for the rehabilitation of existing mines in Cape Breton and in the opening of a new mine at Lingan. The federal government is now allocating money to fulfil this commitment but will leave to the Crown Corporation the decision as to how these sums can best be used in the interests of the community.

It is our firm belief that the policy we are now adopting is the only course which will avert the abrupt collapse of the coal industry and its dependent communities. We believe that this policy, for which there is no precedent in Canada, is realistic in approach and bold in concept.

Further work has to be done to implement this program :

1. Negotiations already under way for the acquisition of the mines will have to be completed with DOSCO.
2. The two governments will have to agree on (a) the composition and powers of the Crown Corporation to be set up, and (b) the co-ordinating and planning machinery for the economic development of the area.
3. Legislation will be required to enable the implementation of sections of the comprehensive program which has been outlined above.

The Governments of Canada and Nova Scotia have agreed on the basic principles and this augurs well for agreement on the means by which these principles can be transformed into action in the best interests of all concerned.

(Français au verso)

DÉCLARATION DE POLITIQUE DU PREMIER MINISTRE

AU SUJET DU CHARBON DU CAP-BRETON

Communiqué — le 29 décembre 1966

C'est au printemps de 1965 que le gouvernement du Canada invitait l'expert conseil M. J. R. Donald à enquêter sur les problèmes des houillères du Cap-Breton et à y proposer des solutions. Le rapport de M. Donald a été déposé à la Chambre des communes en octobre de cette année.

Le gouvernement fédéral a étudié soigneusement le rapport et les recommandations qui s'y trouvent. Il a reçu des représentations de la part de personnes intéressées, et il a eu des pourparlers avec le gouvernement de la Nouvelle-Ecosse.

Le rapport, lequel a valu à M. Donald la reconnaissance du gouvernement, et les discussions importantes qui se sont déroulées avec les représentants provinciaux, syndicaux, patronaux et locaux, ont eu comme résultat l'adoption d'une politique fédérale nouvelle qui a permis d'en arriver à une entente avec la province de Nouvelle-Ecosse.

Le gouvernement sait fort bien que le problème des régions houillères du Cap-Breton est surtout social. C'est par souci du bien-être des individus et des collectivités que le gouvernement fédéral est prêt à subventionner l'économie régionale de façon massive afin que, d'un état de dépendance vis-à-vis d'une richesse naturelle à son déclin, elle puisse s'acheminer vers une situation économique plus saine.

Les deux gouvernements intéressés ont adopté les grandes lignes d'une politique qui s'énonce comme suit :

SOCIÉTÉ DE LA COURONNE

Assuré de la participation du gouvernement de la Nouvelle-Ecosse, le gouvernement du Canada est prêt à proposer au Parlement la création d'une société de la Couronne, dont la composition et l'autorité seront définies dans un avenir rapproché par les deux gouvernements, dans le but d'acquiescer, de réorganiser et de diriger les exploitations houillères de la Dominion Steel and Coal Corporation, ainsi que de stimuler et de financer le développement industriel sur l'île du Cap-Breton, dans le cadre d'un plan économique d'ensemble visant à revaloriser l'économie de cette île.

A cet égard, le gouvernement du Canada versera une somme de 45 millions de dollars à la société de la Couronne, en vue de la réorganisation et de l'exploitation des mines (environ 25 millions de dollars), et de la création de nouvelles industries (environ 20 millions de dollars).

Au lieu du système actuel, qui prévoit l'octroi de subventions à une compagnie privée en fonction de ses ventes de charbon, le gouvernement demandera au Parlement de verser à la société de la Couronne des fonds qui lui permettront d'exploiter et de vendre son charbon le plus avantageusement possible. Bien qu'on anticipe pour la première année un déficit d'exploitation de l'ordre de 25 millions de dollars, cette perte annuelle sera progressivement réduite grâce au nouveau programme d'exploitation minière. Le gouvernement fédéral pourra affecter les sommes ainsi économisées à l'accroissement des fonds de développement économique.

DÉVELOPPEMENT ÉCONOMIQUE

L'un des deux objectifs de la nouvelle société de la Couronne consistera à élargir les assises industrielles de l'île du Cap-Breton. Afin de poursuivre cet objectif, le gouvernement du Canada augmentera sa contribution initiale de 20 millions de dollars versée à la société de la Couronne, à l'aide des économies prévues dans les subventions fédérales.

Le gouvernement de la Nouvelle-Ecosse versera 10 millions de dollars au fonds initial de développement économique de la société.

En outre, le gouvernement fédéral a l'intention d'établir, en collaboration avec la province, des structures conjointes qui permettront de coordonner les initiatives fédérales et provinciales destinées à stimuler le développement économique de l'est de la Nouvelle-Ecosse et de l'île du Cap-Breton, selon un plan d'ensemble.

PÉRIODE DE RAJUSTEMENT

Les gouvernements du Canada et de la Nouvelle-Ecosse sont d'avis que des délais trop intransigeants en vue de réduire le niveau de la production houillère pourraient imposer aux collectivités intéressées des sacrifices inutiles. En conséquence, la rationalisation des mines sera reliée au succès obtenu dans l'implantation de nouvelles industries. La société de la Couronne devra accorder toute son attention aux exigences d'un rajustement progressif, y compris la mise en vigueur d'un programme de retraite anticipée à l'intention des mineurs, conformément à la recommandation de M. Donald.

Sous réserve de ces conditions, le gouvernement du Canada croit qu'une réduction bien réglée de la production de ces mines à un régime annuel d'environ 2 millions de tonnes, selon la recommandation de M. Donald, sera nécessaire en raison des frais croissants et de la viabilité restreinte des mines; le gouvernement de la Nouvelle-Ecosse partage cette opinion.

LES EXPLOITATIONS HOUILLÈRES INDÉPENDANTES

Étant donné que le gouvernement fédéral accepte une importante responsabilité financière en vue d'une solution à long terme des problèmes des houillères de DOSCO dans la région de Sydney, le gouvernement de la Nouvelle-Ecosse assume l'entière responsabilité financière d'un tel support à l'égard des houillères indépendantes de la Nouvelle-Ecosse, selon qu'il le jugera convenable et nécessaire. Il consultera la société de la Couronne sur l'état des marchés afin d'assurer au charbon de la Nouvelle-Ecosse des débouchés réguliers. De plus le gouvernement de la Nouvelle-Ecosse consent à ne délivrer aucun nouveau permis ou aucune concession pour l'extraction de charbon au cours des 15 prochaines années, à moins de n'avoir obtenu l'approbation et l'appui de la société de la Couronne.

LINGAN

Le gouvernement fédéral s'est engagé, en octobre 1965, à fournir l'aide financière nécessaire à la revalorisation des mines existantes du Cap-Breton et à l'ouverture d'une nouvelle mine à Lingan. Le gouvernement fédéral a déjà réservé des fonds à cette fin mais veut laisser à la société de la Couronne le soin de décider comment cet argent pourra servir au mieux les intérêts de la collectivité.

Nous sommes convaincus d'avoir adopté la seule politique qui semble pouvoir prévenir l'affaissement rapide de l'industrie houillère et des collectivités qui en dépendent. Les mesures prévues, sans précédent au Canada, s'inspirent d'un concept réaliste et hardi à la fois.

Il reste encore à régler les modalités de la mise en oeuvre de ce programme :

- (1) Les négociations en cours avec DOSCO en vue de l'acquisition de ses mines devront être menées à bonne fin.
- (2) Les deux gouvernements devront s'entendre sur a) la composition et les attributions de la société de la Couronne que l'on veut former et b) sur les moyens à prendre pour coordonner et planifier le développement économique de la région.
- (3) Il faudra adopter des mesures législatives permettant la mise en oeuvre du vaste programme énoncé ci-dessus.

Les gouvernements du Canada et de la Nouvelle-Ecosse sont d'accord sur les principes de base et il y a tout lieu de croire qu'ils pourront s'entendre sur les moyens d'action pour le plus grand bien de tous les intéressés.

(English overleaf)

File B

DOMINION COAL COMPANY, LIMITED

EXECUTIVE OFFICE

TELEPHONE: 489-3461

P.O. BOX 249, MONTREAL, QUE.

February 24, 1967.

To the Shareholders of Dominion Coal Company, Limited:

In the last Annual Report addressed to you, reference was made to the appointment by the Canadian Government of Dr. J. R. Donald to conduct a thorough review of and report on the Nova Scotia coal industry. Dr. Donald's report was tabled in Parliament on October 11, 1966, and recommended, in essence, that investment in uneconomic coal production in Cape Breton be shifted during the next fifteen years to other forms of industrial development and economic activity in the region and that this transfer be supported out of the federal subsidies which would otherwise be required to maintain the coal mining industry.

On December 29, 1966, the Prime Minister of Canada announced in a policy statement that the Federal Government would create a Crown corporation to acquire, reorganize and manage the coal mining interests and simultaneously help promote and finance the development of modern industry on the Island of Cape Breton. A copy of the Prime Minister's statement is enclosed.

Only the preferred shareholders will benefit from a purchase of your company's assets. Dosco places no value on the common shares of your company which are held by it.

On the other hand, negotiations with the Government for the Dosco coal operations must be of primary concern to those of us who are officers and directors of both Dosco and Domco.

Because of a possible conflict of interest management has been advised and has decided that it should not negotiate on behalf of the preferred shareholders of your company. It may well be that ultimately no conflict of interest will ever arise. Nevertheless, when the preferred shareholders have the only equity interest, management considers that they should be given an opportunity to negotiate on their own behalf.

This problem has been discussed with Messrs. Jodrey, Cope and Sobey, who are the Directors elected by the preferred shareholders. These gentlemen are also Directors of Dosco and have concluded that in these circumstances it would not be desirable for them to act on behalf of the preferred shareholders in these negotiations. They have concluded that the preferred shareholders should appoint a negotiating committee to act on behalf of your company in the conduct of any negotiations with the Federal Government. They will recommend to the shareholders' meeting that a committee of five be appointed. The following individuals have been contacted and have indicated their willingness to serve on such a committee. They are: A. DEANE NESBITT, President, Nesbitt, Thomson and Co. Ltd., 355 St. James St. West, Montreal, Que.; JEAN P. OSTIGUY, President, Morgan, Ostiguy and Hudon, Inc., 500 St. James St. West, Montreal, Que.; CHARLES E. MACCULLOCH, President, MacCulloch & Co. Ltd., 2745 Dutch Village Road, Halifax, N.S.; J. C. MURPHY, Burns Bros. and Denton Limited, 1681 Granville St., Halifax, N.S.; and ERNEST SMITH, 42 Lorway Ave., Sydney, N.S.

It is the view of your Directors and the management of your company that a determined effort should be made to negotiate a sale of the company to the Federal Government on the most favourable terms possible.

The Federal Government has created a committee headed by Dr. C. M. Isbister, the Deputy Minister of the Department of Energy, Mines and Resources, to discuss the acquisition of the mining assets of your company and Dosco. Three meetings have been held between management and this committee. The Government committee has indicated that it finds it difficult to attach any value to the properties and equipment used in these coal mining operations as the operation of the mines is uneconomic. Management has taken the view that the assets do have a real value and that the shareholders are entitled to reasonable compensation upon the transfer of these assets to a Crown corporation. Management has also advised the committee headed by Dr. Isbister that in view of the possible conflict of interest and of the very real interest of the preferred shareholders in these negotiations, it proposes to call a shareholders' meeting in order that shareholders may determine what steps they wish to take to safeguard their interests.

The Board of Directors recommends that the shareholders form a committee to negotiate a reasonable price for the sale of the assets of your company to a Crown corporation. Management will be prepared to give this committee whatever assistance it may wish in the conduct of negotiations.

Proxies for the shareholders' meeting are being solicited on behalf of myself and, failing me, Mr. Jodrey and, failing Mr. Jodrey, Mr. Clubb. It is our intention to vote these proxies in favour of the creation of such a committee and to vote in favour of the appointment to the committee of those gentlemen named earlier in this letter.

In view of the above, your Board of Directors has called a Special Meeting of the Shareholders to be held in Montreal, Que., on Tuesday, March 7, 1967. Accompanying this letter you will find a) Notice of Special Meeting outlining the business to be transacted at the meeting; b) Proxy; c) addressed envelope for returning the Proxy.

SHAREHOLDERS UNABLE TO ATTEND THE MEETING ARE REQUESTED TO COMPLETE THEIR PROXIES AND RETURN THEM TO THE SECRETARY OF THE COMPANY WITHOUT DELAY.

T. J. Emmert
Chairman of the Board

Inc., 500 ouest, rue St-Jacques Montréal, Qué.; CHARLES E. MACCULLOCH, Président, MacCulloch & Co. Ltd., 2745, Dutch Village Road, Halifax, Nouvelle-Ecosse; J. C. MURPHY, Burns Bros. and Denton Limited, 1681, Granville Street, Halifax, Nouvelle-Ecosse; et ERNEST SMITH, 42 Lorway avenue, Sydney, Nouvelle-Ecosse.

Le Conseil d'administration, ainsi que la Direction de votre Société, sont d'avis qu'un effort sérieux s'impose en vue de négocier la vente de votre Société au Gouvernement fédéral aux conditions les plus favorables.

Le Gouvernement fédéral a créé un Comité, présidé par le Dr. C. M. Isbister, sous-ministre de l'Energie, des Mines et des Ressources, en vue de discuter les conditions d'acquisition de l'avoir minier de votre Société et de Dosco. La Direction et ce Comité se sont réunis déjà à trois reprises. Le Comité gouvernemental a laissé entendre qu'il est difficile d'attacher quelque valeur aux propriétés et à l'équipement employés dans l'exploitation de ces mines de charbon, parce que l'exploitation houillère en question est non-économique. D'autre part, la Direction a exprimé l'opinion que l'avoir a une valeur réelle et que les actionnaires ont droit à une compensation raisonnable lors du transfert de cet avoir à une société de la Couronne. La Direction a également avisé le Comité présidé par le Dr. Isbister que, par suite d'un conflit d'intérêts toujours possible et à cause de l'intérêt primordial des détenteurs d'actions privilégiées dans ces négociations, elle se propose de convoquer une assemblée des actionnaires, afin que les actionnaires eux-mêmes puissent déterminer les mesures qui s'imposent pour la sauvegarde de leurs intérêts.

Le Conseil d'administration recommande aux actionnaires de former un Comité aux fins de négocier un prix raisonnable pour la vente de l'avoir de votre Société à une société de la Couronne. La Direction est prête à donner à ce Comité tout l'appui désirable dans la conduite des négociations.

Les procurations pour l'assemblée des actionnaires devraient être faites à mon nom, ou à défaut à celui de M. Jodrey, ou à défaut de M. Jodrey au nom de M. Clubb. Nous avons l'intention d'employer ces procurations en vue de créer ce Comité et de voter en faveur des personnes dont les noms figurent ci-dessus.

En vue de ce qui précède, votre Conseil d'administration a convoqué une Assemblée Spéciale des Actionnaires qui aura lieu à Montréal, province de Québec, le jeudi 7e jour du mois de mars 1967. Vous trouverez ci-jointes : (a) une convocation à une Assemblée Spéciale, avec l'ordre du jour; (b) une procuration; (c) une enveloppe pré-adressée pour nous renvoyer votre procuration.

LES ACTIONNAIRES QUI SE TROUVERAIENT DANS L'IMPOSSIBILITÉ D'ASSISTER À L'ASSEMBLÉE, SONT PRIÉS DE BIEN VOULOIR REMPLIR LEUR PROCURATION ET DE LA RETOURNER SANS DÉLAI AU SECRÉTAIRE DE LA SOCIÉTÉ.

J. J. Cormier
Président du Conseil

DOMINION COAL COMPANY, LIMITED

BUREAUX ADMINISTRATIFS

C. P. 249, MONTRÉAL, P. Q.

TÉLÉPHONE : 489-3461

Le 24 février 1967.

Aux Actionnaires de la Société Dominion Coal :

Nous avions signalé, lors du dernier Rapport Annuel, que le Gouvernement canadien avait prié le Dr. J. R. Donald d'étudier d'une manière approfondie le problème de l'industrie houillère en Nouvelle-Écosse, et de faire ensuite rapport à ce sujet. Déposé au Parlement le 11 octobre 1966, le rapport du Dr. Donald recommande, en substance, que l'on remplace l'investissement non-économique de l'exploitation houillère du Cap Breton au cours des quinze prochaines années par d'autres formes de développement industriel et d'activité économique, et que l'on finance ce changement au moyen des subsides fédéraux normalement destinés à assurer la survivance de l'industrie du charbon.

Dans une déclaration de principe du 29 décembre 1966, le Premier Ministre du Canada annonçait l'intention du Gouvernement fédéral de créer une société de la Couronne dont le but serait d'acquérir, de réorganiser et de diriger l'exploitation des mines de charbon, tout en contribuant au développement et au financement d'industries modernes dans l'île du Cap Breton. Vous trouverez ci-jointe une copie de la déclaration du Premier Ministre.

Seuls les détenteurs d'actions privilégiées trouveront avantage à l'achat de l'avoir de votre Société. Dosco n'attache aucune valeur aux actions ordinaires de votre Société qu'elle a en sa possession.

D'autre part, les négociations avec le Gouvernement au sujet de l'exploitation des mines de charbon de Dosco présentent un intérêt vital pour ceux d'entre nous qui font partie du personnel de Direction et du Conseil d'administration, à la fois de Dosco et de Domco.

À cause d'un conflit d'intérêts toujours possible, l'on a conseillé à la Direction de ne pas entreprendre de négociations au nom des détenteurs d'actions privilégiées de votre Société. Il se peut fort bien que ce conflit d'intérêts ne se matérialise jamais. Toutefois, comme les détenteurs d'actions privilégiées sont seuls à posséder un intérêt effectif, la Direction considère qu'il faut leur donner l'occasion de négocier en nom propre.

La question a déjà fait l'objet de discussions avec MM. Jodrey, Cope et Sobey, administrateurs désignés par les détenteurs d'actions privilégiées. Ces messieurs sont également administrateurs de Dosco, et ils en sont venus à la conclusion qu'il était préférable pour eux de ne pas agir au nom des détenteurs d'actions privilégiées au cours des négociations. Ils ont décidé qu'il valait mieux pour les détenteurs d'actions privilégiées de former un Comité de négociation, habilité à représenter votre Société au cours de discussions avec le Gouvernement fédéral. Ils recommanderont donc la formation d'un comité de cinq membres, lors de l'assemblée des actionnaires. Les personnes suivantes ont accepté de faire partie de ce comité : A. DEANE NESBITT, Président, Nesbitt Thomson and Co. Ltd., 355 ouest, rue St-Jacques, Montréal, Qué.; JEAN P. OSTIGUY, Président, Morgan, Ostiguy and Hudon,

Dominion Coal Company, Limited

INFORMATION CIRCULAR

AR42

Solicitation of Proxies

This information circular is furnished in connection with the solicitation by the management of Dominion Coal Company, Limited (the Company) of proxies to be used at the Annual and Special General Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the notice of meeting. The solicitation will be by mail, the total cost of which will be borne by the Company.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors of the Company. **A shareholder desiring to appoint some other person to represent him at the meeting may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company at least 24 hours before the time of the meeting.**

A shareholder who has given a proxy may revoke is either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company at least 24 hours before the time of the meeting, or (b), as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing a written notice of revocation and delivering it to the Secretary of the Company or the Chairman of the meeting.

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such shares will be voted for the approval of the directors' report and consolidated financial statements and for approval of the recommendations of the Preferred Shareholders' Negotiating Committee relating to the claim for compensation for the expropriation of assets by the Cape Breton Development Corporation, and for the election of directors and the appointment of auditors as stated under those headings in this circular.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identi-

fied in the notice of meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

Voting Shares

On March 31, 1969, the Company had outstanding 480,000 common shares of the par value of \$25 each, carrying the right to one vote per share, and 208,759 6% cumulative sinking fund preferred shares of the par value of \$25 each, carrying the right to one vote per share, so that the aggregate number of votes attaching to all the outstanding shares is 688,759. The only person or company beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights attached to all shares of the Company is Hawker Industries Limited which owns all of the common shares and 26,521 of the preferred shares.

Pursuant to the by-laws of the Company the directors have passed a resolution closing the transfer books for a period of 12 days from the close of business on Wednesday, September 3, 1969, and accordingly the only persons entitled to attend and vote at the meeting or to be represented thereat by proxy will be shareholders of record at the close of business on September 3, 1969. The transfer books will be reopened at the commencement of business on Tuesday, September 16, 1969.

Claim for Compensation for Assets of Company Expropriated by the Cape Breton Development Corporation

The members of the Board of Directors at a meeting held on August 14, 1969, received the report submitted by the Chairman of the Preferred Shareholders' Negotiating Committee relating to the status of negotiations with the Cape Breton Development Corporation (Devco) regarding the expropriation of the assets by Devco together with the Committee's recommendation that, subject to concurrence by the Board of Directors and subject to approval of the shareholders at a Special General Meeting of the shareholders, the proper officers of the Company be authorized to file a claim with Devco in the amount of \$19 Million.

The Board of Directors at the meeting held on August 14, 1969, unanimously concurred with the recommendation of the Preferred Shareholders' Negotiating Committee and agreed that the following special resolution should be presented to the shareholders at a Special General Meeting for sanction, confirmation and approval.

RESOLVED THAT:

- (a) the recommendations of the Preferred Shareholders' Negotiating Committee to present claims in the amount of \$19 Million for compensation for the assets of the Company and of its subsidiary companies expropriated, purchased or otherwise taken over by the Cape Breton Development Corporation on or after March 30, 1968, be and the same is hereby sanctioned, confirmed and approved; and
- (b) any two directors or two officers or any one director acting jointly with any one officer of the Company and its subsidiary companies be and they are hereby authorized and empowered to take all such action and to do all things, either directly or acting jointly with the solicitors of the companies or solely through the solicitors of the companies, as are necessary to present the claims in the amount of \$19 Million including the processing of the claims after presentation.

The report of the Chairman of the Preferred Shareholders' Negotiating Committee is set out hereunder:—

“To the Holders of the Preferred Shares of Dominion Coal Company, Limited.

Following expropriation of virtually all of the lands, mining leases, buildings, machinery, equipment and inventories of Dominion Coal Company, Limited and its subsidiaries (“Domco”) on March 30, 1968 by Cape Breton Development Corporation (“Devco”), considerable efforts have been directed toward negotiating compensation without success. No offers have been forthcoming from Devco, nor have we been able to obtain any indication of the values placed by Devco on such assets. Furthermore, our discussions have not led to receipt of an initial payment.

We have come to the conclusion that the delay in settling the compensation will continue unless claims are presented to Devco to serve as a basis to bring negotiations to a head or to carry this matter to the courts.

The assets taken over by Devco are carried in the consolidated accounts at approximately \$25½ Million, as described in Note 1 to the financial statements, and, after extensive review by the Committee with the aid of consulting specialists for certain of the assets, we have come to the conclusion that claims aggregating \$19 Million should be pre-

sented.

The Preferred Shareholders' Negotiating Committee therefore recommends that such claims be presented, subject to the concurrence of the Board of Directors and approval by the shareholders at a Special Meeting of Shareholders to be called for the purpose.

Submitted on behalf of the Committee

C. E. MacCulloch, Chairman,
Preferred Shareholders' Negotiating Committee

Halifax, N.S., August 14, 1969.”

Election of Directors

The by-laws of the Company provide that the board shall consist of not less than 3 nor more than 15 directors to be elected annually and that the directors so elected shall hold office until the next Annual Meeting or until others are chosen and qualified in their stead. Three of the directors shall be holders of preferred stock of the Company and shall be elected by holders of that stock. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the Board of Directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next Annual General Meeting or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

*Year
Became
Director*

**Information Concerning Nominees
as Directors**

A. A. BAILIE, of Toronto, Ontario, is Chairman and President and a director of the Company, Vice-President Finance and Treasurer and a director of Hawker Siddeley Canada Ltd., and Vice-President Finance and a director of Hawker Industries Limited. 1964

*F. C. COPE, Q.C., of Hampstead, Quebec, is a Senior Partner of the law firm of Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault, Montreal, Quebec. 1951

R. S. FAULKNER, of Toronto, Ontario, is President and Chief Executive Officer of Hawker Siddeley Canada Ltd., and Chairman and President and a director of Hawker Industries Limited. 1969

*R. A. JODREY, of Hantsport, Nova Scotia, is President of Minas Basin Pulp & Power Company Limited, Hantsport, Nova Scotia. 1955

*CHARLES E. MACCULLOCH, of Bedford, Nova Scotia, is Chairman of the Committee representing the Preferred Shareholders of the Company, and President of MacCulloch & Co. Ltd., Halifax, Nova Scotia. 1968

A. S. PATTILLO, Q.C., of Toronto, Ontario, is Senior Partner of the law firm of Blake, Cassels & Graydon, Toronto, Ontario. 1966

HON. JEAN RAYMOND, Q.C., of Montreal, Quebec, is a Member of the Legislative Council of Quebec and Chairman and President of Alphonse Raymond Ltd., Montreal, Quebec. 1955

J. H. READY, of Islington, Ontario, is Secretary and a director of the Company, Vice-President and Secretary of Hawker Siddeley Canada Ltd., and Secretary and a director of Hawker Industries Limited. 1969

COLIN W. WEBSTER, of Westmount, Quebec, is President of Canadian Fuel Marketers Ltd., Montreal, Quebec. 1941

**These are the 3 persons nominated as the directors holding preferred stock who are to be elected by holders of that stock. As at August 14, 1969, Mr. F. C. Cope held 101 preferred shares, Mr. R. A. Jodrey 2 preferred shares and Mr. C. E. MacCulloch 1,800 preferred shares.*

All nominees as directors hold 25 common shares of the capital stock of the Company as trustee for Hawker Industries Limited, thus meeting the qualifying condition for directors as set out in the by-laws of the Company. Except for the 3 persons named in the preceding paragraph, no other nominee is a holder of preferred shares.

Remuneration of Directors and Senior Officers, and Management Arrangements

For the year ended March 31, 1969, directors' fees amounted to \$2,246. No remuneration was paid by the companies to their senior officers. On July 3, 1969, directors' fees were discontinued. The management of the Company and its subsidiaries is controlled by the respective Boards of Directors. Senior management personnel, together with accounting, secretarial, treasury, internal audit, taxation and all other normal corporate functions were provided by the parent companies and in the year ended March 31, 1969, \$60,222. was paid to

Dominion Steel and Coal Corporation, Limited, Montreal, P.Q. (the former parent company), and \$10,000. was paid to Hawker Industries Limited, 7 King Street East, Toronto, Ontario. The Board of Directors has authorized continuation of the arrangement with Hawker Industries Limited for a fee of \$2,500. per month, plus actual out-of-pocket expenses for travel, etc.

Names and addresses of directors and officers (as defined by Ontario Securities legislation) of Hawker Industries Limited, as at August 14, 1969, are shown below:

R. S. Faulkner—355 St. Clair Avenue West, Apt. 2503, Toronto, Ontario.

A. A. Bailie—50 Sunnydene Crescent, Toronto, Ontario.

M. E. Davis—54 Colonial Crescent, Oakville, Ontario.

J. F. Howard—R.R. #2, Woodbridge, Ontario.

J. H. Ready—2 Swindon Road, Islington, Ontario.

I. E. Bull—38 Brookfield Road, Willowdale, Ontario.

C. A. Haines—3 Waymar Heights, Box 594, Woodbridge, Ontario.

Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote for the reappointment of Messrs. Price Waterhouse & Co., Chartered Accountants, as auditors of the Company to hold office until the next Annual Meeting of shareholders.

Toronto, Canada, August 14th, 1969.

